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PROJECT NO. 51840

**RULEMAKING TO ESTABLISH
ELECTRIC WEATHERIZATION
STANDARDS**

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**PUBLIC UTILITY COMMISSION
OF TEXAS**

GEUS'S COMMENTS ON STAFF'S DISCUSSION DRAFT

The GEUS¹ appreciates the opportunity to submit this response to the request for comments by the Public Utility Commission of Texas (Commission) regarding its rulemaking to establish electric weatherization standards.

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GEUS is a member of the Texas Public Power Association ("TPPA"). TPPA submitted comments in response to the Public Utility Commission of Texas Staff's ("Commission Staff") request for comments on the Commission Staff's Discussion Draft of new rule to be codified at 16 Texas Administrative Code ("TAC") § 25.55 to implement prepared measures for generation entities and transmission service providers during weather emergencies. GEUS is both a generation entity and a transmission service provider ("TSP"). Generally, GEUS supports TPPA's comments and shares the concerns TPPA raised in its comments.

GEUS COMMENTS

General Observation/Comments:

GEUS's primary concern with Proposed Rules published for discussion is that the rules as drafted appear to raise the results of weather studies as the primary factor in determining the weather preparedness of generating units and transmission equipment. GEUS cautions against such reliance. As noted below, based on standard utility practices/best practices, GEUS weathered Winter Storm Uri well. Through adherence to ERCOT weatherization recommendations and

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national standards, which consider specific regional factors, including weather, GEUS managed to keep the lights on with minimal disruption of service.

Thus, GEUS urges the Commission not to lose sight of the crucial role tried practices, and the processes in place to develop those standards, have played in the provision of service during Winter Storm Uri. These operating standards are crucial not only to ensuring a uniform set of standards, but given the advent of substantial administrative penalties for violations of operational standards, to establish clear expectations of generation entities and transmission service providers.

BULLETS PER STAFF REQUEST

- **Proposed Rule 25.55(d)** – GEUS cautions against reliance the results of weather studies as the primary factor in determining the weather preparedness of generating units and transmission equipment and instead urges the Commission to measure weather preparedness on standard utility practices/best practices.
- **Proposed Rule 25.55(c)** – There do not appear to be any studies supporting the percentiles set forth in the Proposed Rule, and whether there is a link between meeting the percentiles set forth in the Proposed Rule, and actual weather preparedness.
- **Proposed Rule 25.55(d)(1)** – The Proposed Rule appears to require a unit to meet the 95th percentile of each of the extreme weather scenarios. The consequences of a unit not meeting this requirement, or being able to meet it only during the Summer but not the Winter, or how the requirement applies to units operated only seasonally, are unclear.
- **Proposed Rule 25.55** – In the ERCOT market recovery of generator costs is through generation sales. The Proposed Rule leaves unanswered how the cost of complying with the additional weatherization requirements will occur; the uncertainty of an entity’s ability to comply with the Proposed Rule’s new measurements, recovery of the additional costs to comply, and possible penalties could lead to the retirement of marginal generators.
- **Proposed Rule 25.55(b)(4)** – Proposed Rule 25.55 (b)(4) includes several steps that a generation entity “may take to improve function,” including “fuel security.” Fuel security is an issue for many generating plants in ERCOT, especially peaking plants and market prices are not sufficient to support firm fuel-supply contracts for some generating plants. Thus, GEUS suggests that to the extent “fuel security” remains a factor in the Commission definition of “weather preparation measures” that the Commission not make “fuel security” a criterion upon which, e.g., penalties are based.
- **Proposed Rule 25.55(f)(1)** – Assurance of compliance is best demonstrated through generator performance, measured against best practices, and ERCOT inspections would further confirm compliance, all attested to by an entity’s CEO. A compliance study is unnecessary and adds additional cost burden for no real benefit.

- **Proposed Rule 25.55 (l)** – Absent material expansion or upgrades to a TSP’s transmission system, inspections once every three-years appear redundant and add additional cost burden for no benefit.
- **Proposed Rule 25.55(m)** – Operating conditions for transmission/substation equipment are specified during procurement and typically exceed the environment in which they are placed. GEUS urges the Commission to clarify that if industry standards are met, such as those set by NERC/NESC, administrative penalties would not apply.

Below GEUS provides its comments regarding specific sections of Proposed Rule 25.55.

Proposed Rule 25.55(d) – Weather Reliability Standard for a Resource:

As drafted Proposed Rule 25.55(c) requires the Electric Reliability Council of Texas (“ERCOT”) to prepare a weather study that includes statistical probabilities of a range of extreme weather scenarios for the weather zones that ERCOT establishes for its study. The weather study must include statistical probabilities for a range of weather scenarios in the 95th, 98th, and 99th percentile probabilities for the weather zones ERCOT establishes. The weather study also must address a comprehensive range of weather-event scenarios that may impact transmission and generation performance in the ERCOT power region and the scenarios must include, at a minimum, parameters for high and low temperatures, wind, humidity, precipitation, and duration.

To effectuate Proposed Rule 25.55(c), the Discussion Draft’s Proposed Rule 25.55(d), creates three weather-preparation measures: Basic weather reliability standard, which a generation entity must meet; Enhanced weather reliability standard, which a generation entity may elect to maintain; and Black Start Service (BSS) weather reliability standard that a generation entity that provides BSS must maintain.

GEUS agrees that weather is a key factor in establishing the preparedness of a generation unit. But Proposed Rule 25.55(d) leaves the implication that other criteria in ascertaining a generation unit’s weather preparedness are immaterial. Simply building or maintaining generation units to meet a weather scenario specified in the weather studies performed by ERCOT would ignore current best practices and minimize the continued development of best practices by industry stakeholders.

GEUS respectfully suggests that determining a generation entity’s compliance with new weather-preparedness rules should at a minimum give equal consideration to an entity’s adherence to industry best practices, if not give precedence to an entity’s adherence to such practices. Indeed,

it is GEUS's conformance to industry best practices that allowed it to avoid outages during Winter Storm Uri. GEUS maintains units that are 40 - 50+ years in age. GEUS winterized its units according to best practices that were inspected and approved by ERCOT months prior to Winter Storm Uri. Though natural-gas service to GEUS was interrupted, GEUS was able to operate a dual-fuel capable generation unit that remained online during the entire event and experienced no weather-related issues.

Generator weatherization is not conducted in a different manner each year based on a weather forecast. Instead, measures based on best practices are taken to ensure unit performance in freezing or high temperature conditions. What comprises best practices can be readily identifiable. Observance to those standards is easily verifiable. Any shortcomings in meeting those standards can be assessed and identified quickly. Currently, during its annual inspections when ERCOT finds gaps in meeting best practices ERCOT routinely makes recommendations for improvements in weatherization based on industry best practices. Proposed Rule 25.55(d) appears to ignore existing best-practice standards.

Moreover, there do not appear to be any studies supporting the percentiles set forth in the Proposed Rule, and whether there is a link between meeting the percentiles set forth in the Proposed Rule, and actual weather preparedness.²

Further, Proposed Rule 25.55(d)(1) is problematic. As written, it appears a unit must meet the 95th percentile of each of the extreme weather scenarios. The Proposed Rule states that a "generation entity must maintain weather preparation measures that reasonably ensure that its resource can provide service at the resource's applicable rated capability as defined by ERCOT under the 95th percentile of each of the extreme weather scenarios specified in the weather study approved by the commission under subsection (c) of this section." The consequences of a unit not meeting this requirement, or being able to meet it only during the Summer but not the Winter, or how the requirement applies to units operated only seasonally, are unclear.

Absent measures tied to best practices, an assessment based on weather studies as contemplated by the Proposed Rule, make assessments of a generation entity's compliance with weather preparedness standards subjective, which breeds uncertainty as to what the expectations are.

² As TPPA noted in its comments, establishing the specific percentiles now is premature given that ERCOT has not conducted its weather study.

With regard to cost recovery generators are not paid to ensure unit reliability. All generator cost recovery is through generation sales in the ERCOT market. The Proposed Rule leaves unanswered how the cost of complying with the additional weatherization requirements will occur, which places marginal units at risk for retirement. The uncertainty of an entity's ability to comply with the Proposed Rule's new measurements, recovery of the additional costs to comply, and possible penalties could lead to the retirement of marginal generators.

Definitions – Proposed Rule 25.55 (b)(4) – Weather Preparation Measures:

Proposed Rule 25.55 (b)(4) includes several steps that a generation entity “may take to improve function,” including “fuel security.” While GEUS does not disagree that fuel security is a crucial element in mitigating against disruption of a generating unit's operations, fuel security is an issue for many generating plants in ERCOT, especially peaking plants. Absent substantial increases in costs to do so, GEUS does not have the ability to secure a firm contract for fuel supply or delivery. ERCOT market prices are not sufficient to support firm fuel-supply contracts for some generating plants. Thus, GEUS suggests that to the extent “fuel security” remains a factor in the Commission definition of “weather preparation measures” that the Commission not make “fuel security” a criterion upon which, e.g., penalties are based.

Proposed Rule 25.55(f)(1) – Compliance Study:

GEUS recommends subsection (f)(1) be removed. Assurance of compliance is best demonstrated through generator performance, measured against best practices, and ERCOT inspections would further confirm compliance. Also, as drafted, CEOs would be required to sign a certification of compliance with weatherization, obviating third-party verification of compliance. Thus, a compliance study is unnecessary and adds additional cost burden for no real benefit.

Proposed Rule 25.55 (I) – Weather reliability standards for a transmission service provider:

GEUS adheres to industry practice and inspects its transmission system, including its poles, every 10 years. Accordingly, an inspection of transmission lines once every three years seems excessive. Even during Winter Storm Uri, GEUS did not experience any transmission “outages” and its inspection intervals served its customers well in that GEUS's transmission system remained fully operational during Winter Storm Uri. Thus, absent material expansion or upgrades to a TSP's

transmission system, inspections once every three-year appears redundant and add additional cost burden for no benefit.

Proposed Rule 25.55 (m) – Violations of reliability standards for a transmission service provider:

Proposed Rule 25.55 (m) would impose an administrative penalty on a TSP that has violated a weather reliability standard established under Proposed Rule 25.55(i) if the TSP does not cure the violation within a reasonable period of time.

GEUS adheres to industry practices as set forth by NERC and NESC. Regarding transmission equipment, its rating capabilities are currently based on weather conditions. Transmission lines are designed based on NESC loading districts. Each district has its own weather criteria that must be met when structures are designed. Operating conditions for transmission/substation equipment are specified during procurement and typically exceed the environment in which they are placed. Thus, GEUS again expresses its concerns that proposed standards that deviate from NERC/NESC standards could lead to administrative penalties notwithstanding compliance with industry standards. GEUS urges the Commission to clarify that if industry standards are met, administrative penalties would not apply.

CONCLUSION

GEUS appreciates the opportunity to submit its comments and looks forward to working with the Commission, its staff, and the stakeholders on these important questions and this broader rulemaking in the coming months.

Respectfully submitted,

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